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THE DEPUTY SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

MAR 31 1976

Honorable George Bush
Director, Central Intelligence
CIA Headquarters
Washington, DC 20505

Dear George:

This letter is to follow up our recent conversations on the intelligence community's efforts in military-economic analysis during which you decided to continue the operation of the existing Military-Economic Advisory Panel (MEAP) while incorporating some ideas for improvement. With regard to those ideas I have the following recommendations.

At present the MEAP focuses principally upon evaluating and recommending improvements to the existing CIA methodologies and reports in the comparative military-economic areas concerning the U.S. and Soviet Union. These are important responsibilities, and I believe they should remain prominent MEAP activities to be pursued with even more vigor than in the past. However, I believe the MEAP should also be charged with the broader responsibility to investigate and recommend alternative methodologies, especially those suitable for bounding the results of the principal existing CIA analyses. In addition the MEAP should be charged to suggest areas where additional profitable research could be undertaken and estimates derived which would enhance our understanding of the size and burden of Soviet defense efforts.

In part because of these broader responsibilities, I also recommend that the MEAP be elevated to report directly to the DCI rather than to the DRI as is now the case. It would be important, however, to ensure that the MEAP continue or increase its close contacts with the working level people within the CIA, and that it continue to receive from the CIA timely and complete access to the information necessary for appraising the Agency analyses.

As you suggested I have given some thought to people who might be added to the MEAP and recommend that the following two people be appointed as additional MEAP members:

Professor Arthur Laffer of Chicago; and Major Lee Badgett, recently selected as Permanent Professor and Head of Department at the USAF Academy.

Attached are some paragraphs which reflect more formally my views as to how a revised MEAP charter might look.

I hope these recommendations are helpful to you.

Sincerely,



Robert Ellis Smith

Attachment
a/s

RECOMMENDED REVISIONS TO THE
MEAP CHARTER

The Military-Economic Advisory Panel (MEAP) is directed to report to the Director of Central Intelligence upon the full range of issues concerning military-economic analyses carried on by the U.S. Intelligence Community. This responsibility is to include:

- Thorough review and critique of the intelligence and conceptual bases, the methodologies, and the form, scope and dissemination of the reports, related to military-economic issues.
- Recommendation to the DCI of actions which will improve existing Intelligence Community military-economic analyses, to include recommendations for new or additional research and estimations to enhance current burden and comparative sizing analyses.
- Investigation and evaluation of alternative estimation methodologies which could provide bounds to, or checks upon the uncertainty of, existing burden and comparative sizing estimates, and the recommendation of the most promising alternatives to the DCI.

In carrying out these responsibilities the MEAP will maintain close contact with the concerned working-level analysts, and will be provided by the concerned organizations with the full range of information and briefings relevant to military-economic analysis.

The MEAP will meet twice yearly, or more frequently if appropriate, and will submit to the DCI an annual report appraising the major Intelligence Community analyses in the military-economic area, and making such recommendations as the MEAP thinks appropriate.